TESTIMONY OF RUSS DE KRUYF
ON BEHALF OF GLANBIA FOODS, INC.
In support of amending the Class III and Class IV milk price formula manufacturing allowances for all Federal Milk marketing orders.

I am Russ De Kruyf representing Glanbia Foods, Inc. based out of Twin Falls Idaho. I have worked for Glanbia Foods since March of 1996 and have held the position of Milk Procurement Manager since October 2004.

Glanbia Foods operates two cheese plants in Idaho. Our Twin Falls plant processes 2.5 million pounds of milk per day into 40 pound blocks and our Gooding plant processes 7.5 million pounds of milk per day into 500 pound barrels. Glanbia also operates whey processing facilities at Gooding and in Richfield, Idaho, where a variety of whey, whey protein, lactose and whey mineral products are produced. We are also a member of National Cheese Institute.

As Idaho has no Federal Milk Marketing Order, all of our milk is unregulated. Although we are not regulated we still purchase a portion of our milk on a Class III basis so the proposed changes to the Class III and Class IV make allowances are relevant to Glanbia.

We fully support this proposed change to the Class III and Class IV make allowances outlined by the testimony of Dr. Robert Yonkers. We fully support Proposal One as submitted by AgriMark.

We have seen significant manufacturing cost increases in our cheese and whey plants in the last few years and a sharp increase in some areas over the last 12 to 18 months. When we look back at the cost comparison between 1999 and

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2005 we have some difficulties in comparing cost. We are not the same company we were back in 1999. We have gone through plant expansions, management changes, system upgrades and even a company name change (we were formerly Avonmore West, Inc.). But there are some key cost elements in the production of cheese and whey products that are still required in the manufacture process today as they were back in 1999. I will outline some of those costs we can use for comparison purposes.

Energy: The size and scale of our plants dictate that we watch our energy costs very closely because we are a significant energy user. Electricity rates in Idaho have increased at our plants 34% from 1999 to 2005. A much larger increase was absorbed in natural gas. Natural gas increased a whopping 370% from 1999 to 2005. We sell a portion of our cheese on a delivered price basis and therefore need to absorb the price of diesel fuel increases. From 1999 to 2005 our costs for diesel fuel have increased by 111%.

Labor: Idaho has enjoyed sustained very low unemployment rates over the past several years which translates into more competition and wage inflation for the existing labor pool. Our factory labor rate has increase 44% from 1999 to 2005.

Health Insurance: As an employee of Glanbia I am thankful for the solid family health insurance plan that is provided to all full-time employees as a benefit. We all know that the costs of providing this benefit has increased dramatically and Glanbia's health insurance costs have increased 90% from 1999 to 2005 even after making some plan design changes in an attempt to keep these costs under control.

Packaging/Cleaning materials: Plastic liners have increased mostly due to increases in resin prices. 40 pound box liners have increased 11% and 500 pound barrel liners have increased 8% from 1999 to 2005. Cleaning chemicals used in our production facilities have increased from 7 to 27% from 1999 to 2005.

From the examples outlined above I hope everyone can see that manufacturing costs have increased significantly thereby impacting our cheese margins. Due to the significant increase in costs to operate our cheese plants, the time to implement make allowance increases to Class III and Class IV milk is long over due. We support making adjustments to the Class III and Class IV make allowances and would ask that the USDA act quickly to correct the make allowance problem.